

**IHCDA Real Estate Department**  
**2013 Report on Ongoing Rental Monitoring (Tax Credit & HOME)**

**I: Purpose**

The purpose of this report is to identify trends in the number of findings and concerns identified by the Indiana Housing and Community Development Authority's (IHCDA) compliance staff during ongoing rental compliance reviews of Section 42 Low-Income Housing Tax Credit ("Tax Credit") and Home Investment Partnership Act (HOME) funded properties. By tracking these trends, IHCDA can establish a baseline used to evaluate future years' performance. Ideally, IHCDA will see decreases in the number of findings and concerns in future years. This would signal that IHCDA is providing appropriate written guidance, training materials, and technical assistance to its partners.

**II: Summary**

In calendar year 2013, IHCDA's Real Estate Department monitored 206 properties that are included in this report (referred to herein as "the sample."). The sample includes:

- 68 HOME-funded rental properties; and
- 138 tax credit properties.

Properties included in this sample must have been monitored in 2013 and tracked according to a new process in preparation for this report. Many properties were monitored in 2013 prior to the implementation of this tracking system and therefore are not included in the report. Furthermore, some properties were still being monitored or scheduled to be monitored at the time the numbers for this report were pulled. Therefore, not all properties monitored in 2013 are included in this report. IHCDA intends to release an updated report on an annual basis going forward. Next year's report will include all properties monitored in 2014 since the tracking system will already be implemented at the beginning of the year.

Before analyzing the results, it is important to understand the distinction between a "finding" and a "concern." A finding is defined as a violation of a federal program requirement. Examples of findings include, but are not limited to, overcharging rent or moving in households that are not income eligible. A concern is defined as a violation of an IHCDA requirement and is generally clerical or documentation related. Examples of concerns include, but are not limited to, failure to use IHCDA required forms, insufficient or incomplete documentation to prove compliance, or other items that require additional clarification not provided at the time of monitoring.

IHCDA monitors a sample size of 20% of the program units at a property. If the sample size is equal to or less than 10 units, the monitoring is conducted in-house as a "desktop monitoring" meaning the property management sends in copies of files to the IHCDA auditor. If the sample size is greater than 10 units, the monitoring is conducted in the field as an "onsite monitoring," usually at the property's leasing office. Of the 206 monitorings included in the sample, 105 were conducted as desktops and 101 were conducted as onsite. Of the 105 desktops, 68 were HOME

monitorings and 37 were tax credit monitorings. All 101 onsite monitorings were tax credit monitorings.

During the 206 monitorings included in the sample, IHCD A identified a total of 31 findings (an average of 0.15 findings per monitoring) and 285 concerns (an average of 1.38 concerns per monitoring).

104 monitorings (50.49%) had no findings or concerns noted. These are “perfect” or “no-issues” monitorings.

- 34 of 68 (50.00%) HOME monitorings were no-issues.
- 70 of 138 (50.72%) tax credit monitorings were no-issues.
- 51 of 105 (48.57%) desktop monitorings were no-issues. This included 17 tax credit monitorings and 34 HOME monitorings.
- 53 of 101 (52.48%) onsite monitorings were no-issues. All 53 were tax credit monitorings.

### **III: Analysis of Findings**

During the 206 monitorings included in the sample, IHCD A identified a total of 31 findings (an average of 0.15 findings per monitoring). 7 findings were discovered during desktop monitorings and 24 were discovered during onsite monitorings.

A total of 13 properties had findings, representing only 6.31% of the sample. This included 5 properties from desktop monitorings (4.76% of desktops conducted) and 8 properties from onsite monitorings (7.92% of onsites conducted). 4 of these properties were HOME (5.88% of HOME properties monitored) and 9 were tax credit (6.52% of tax credit properties monitored).

#### **FINDINGS SUMMARY**

- Total # of Findings= 31
- Desktop Monitoring # of Findings=7
- Onsite Monitoring # of Findings= 24
- Total # Properties with Findings= 13
- Desktop # Properties with Findings= 5 (4 HOME & 1 Tax Credit)
- Onsite # Properties with Findings=8 (8 Tax Credit)
- % Total Monitorings with Findings= 13 of 206 =6.31%
- % Desktop Monitorings with Findings=5 of 105 =4.76%
- % Onsite Monitorings with Findings= 8 of 101 = 7.92%
- % HOME Monitorings with Findings= 4 of 68 =5.88%
- %Tax Credit Monitorings with Findings= 9 of 138= 6.52%

### **IV: Analysis of Concerns**

During the 206 monitorings included in the sample, IHCD A identified a total of 285 concerns (an average of 1.38 concerns per monitoring). 104 concerns were discovered during desktop monitorings and 181 concerns were discovered during onsite monitorings.

A total of 86 properties had concerns, representing 41.75% of the sample. This included 52 properties from desktop monitorings (49.52% of desktops conducted) and 34 properties from onsite monitorings (33.66% of onsites conducted). 32 of these properties were HOME (47.06% of HOME properties monitored) and 54 were tax credit (39.13% of tax credit properties monitored).

#### CONCERNS SUMMARY

- Total # of Concerns= 285
- Desktop Monitoring # of Concerns= 104
- Onsite Monitoring # of Concerns=181
- Total # Properties with Concerns= 86
- Desktop # Properties with Concerns= 52
- Onsite # Properties with Concerns= 34
- % Total Monitorings with Concerns= 86 of 206= 41.75%
- % Desktop Monitorings with Concerns= 52 of 105= 49.52%
- % Onsite Monitorings with Concerns=34 of 101= 33.66%
- % HOME Monitorings with Concerns= 32 of 68= 47.06%
- % Tax Credit Monitorings with Concerns= 54 of 138= 39.13%

#### **V: Trends**

IHCDA is pleased to see that half of monitorings conducted (50.49%) have no findings or concerns at all. This is consistent across HOME (50.00%) and tax credit (50.72%) monitorings.

There is a slight variance between desktop and onsite monitorings with desktops falling below half at 48.57% with no issues and onsites coming in slightly above half at 52.48% with no issues. An immediate reaction is that this discrepancy can most likely be explained by the fact that the IHCDA auditor can ask for additional information onsite during the audit to clarify concerns and resolve a question immediately, while missing information on a desktop will result in an official concern being generated with a correction period to provide more information as needed. This seems to be confirmed by the even larger gap between the percent of onsite monitorings with concerns (only 33.66%) compared to the percent of desktop monitorings with concerns (jumping up to 49.52%). In many cases, clerical issues or missing documents can be addressed during the onsite visit and therefore be immediately dismissed. The same cannot be said for true findings which take longer to address, and in fact there were more findings on onsite audits than on desktops (7.92% of onsites generated findings compared to only 4.76% of desktops).

Another noticeable variance is between HOME versus tax credit monitorings. While the number of findings remains relatively consistent between the two programs (5.88% of HOME monitorings with findings and 6.52% of tax credit monitorings) the number of concerns is worth mentioning. 47.06% of HOME monitorings generated concerns while only 39.13% of tax credit monitorings did. One part of the explanation is that all HOME monitorings were conducted as desktops, and as described above desktop monitorings are consistently (and with explanation) generating more concerns than findings. However, this discrepancy still also suggests that since most concerns are generated due to clerical or documentation issues, IHCDA would benefit from

providing better training to its HOME rental property managers on properly completing verification documents and creating tenant files.

Finally, the massive discrepancy between findings and concerns in general must be noted. In the sample, IHCD A only found 31 findings representing 13 properties or 6.31% of the monitorings. In contrast, IHCD A found 285 concerns representing 86 properties or 41.75% of the monitorings. This means IHCD A found 9.19 times as many concerns as findings and that 6.62% more properties had concerns than findings. Because the finding versus concern gap was consistent across both desktops versus onsite and in HOME versus tax credits, this suggests that across the spectrum IHCD A is doing a decent job of providing trainings that teach the program essentials (i.e. violations that would result in findings), but perhaps a far less good job of providing training on documentation procedures such as understanding IHCD A forms and file expectations.